

Risk management and its key elements for project-oriented companies

Olena Bielova

*PhD (in economics), Associate professor at
Marketing and Behavioral Economics department,
«KROK» University, Kyiv, Ukraine,
e-mail: bielovaoi@krok.edu.ua,
ORCID: 0000-0001-9359-6947*

Vadim Belsky

*PhD student,
«KROK» University, Kyiv, Ukraine,
e-mail: belskyivy@krok.edu.ua,
ORCID: 0009-0002-1194-9070*

Oleksandr Bielov

*PhD student,
«KROK» University, Kyiv, Ukraine,
e-mail: bielovoy@krok.edu.ua,
ORCID: 0000-0002-4976-5501*

In the realm of project planning and execution, effective risk management plays a crucial role in ensuring optimal outcomes. It is essential for project-oriented companies to seamlessly integrate risk management into all facets of their operations. Rather than being relegated to a separate entity, risk management should be intricately woven into every decision-making process at every phase of project management. Regrettably, prevalent domestic and international practices often see risk management compartmentalized, leading to its disconnection from the organization's core business processes and, specifically, project planning and execution.

Emphasizing risk management across various management levels enables project-oriented companies to proactively control risks and preemptively address challenges during project planning and implementation. As an integral rather than standalone system within the organization, particular emphasis should be placed on risk management when making pivotal decisions concerning the organization's development—be it during strategic planning, policy adjustments, new project launches, process enhancements, significant financial ventures, or optimization initiatives.

Effective risk management should span multiple areas of organizational activity, encompassing strategic and operational planning, budgeting, resource allocation, and asset management within project-oriented companies. It comes to the forefront when organizational shifts, such as technological advancements or management modifications, occur in a project-centric environment. Furthermore, risk management is indispensable for research endeavors, quality management, environmental sustainability, labor safety, social responsibilities, employee and community relations, information security, vendor interactions, market trend analysis, and consumer needs assessment within project-oriented settings. Ultimately, risk management stands as a fundamental component of project management.

Crafting a risk management strategy in a project-oriented company entails mastering the art of enterprise risk management amidst uncertain economic landscapes. Such a strategy revolves around forecasting risks and executing methods to mitigate their impact. It encompasses guidelines for making risk-informed decisions and identifying pathways to address them effectively. The risk management strategy within a project-oriented organization is guided by the principles of maximizing profits, optimizing result volatility, fine-tuning result probabilities, and striking an optimum balance between risk and reward.

The risk management process in a project-oriented environment typically unfolds in five key stages. Initially, risks are identified and assessed in terms of likelihood, consequences, and potential losses. Subsequently, suitable methods and tools are chosen to manage these risks effectively. A comprehensive risk strategy is then formulated to minimize the probability of risk occurrence and mitigate adverse outcomes. This strategy is put into action, followed by an evaluation of the outcomes achieved and necessary adjustments to the risk management approach.

Among these stages, the pivotal phase in risk management for project-oriented companies is the selection of appropriate risk management methods and tools. The efficacy of project execution on a granular level and the strategic oversight of the entire organization hinge on the judicious selection of these methodologies.

Keywords: project, project planning, project management, risk, risk management, risk management strategy.

References:

1. Carey, A. (2004), *Corporate Governance. A Practical Guide*. [online]. London Stock Exchange plc & RSM Robson Rhodes LLP., London. <http://www.londonstockexchange.com>.
2. Davies, H. and Lam, P.L. (2001) *Managerial economics*. 3rd ed., Bell & Bain Ltd., Glasgow.
3. Economist Intelligence Unit. (2009), *Managing risk in perilous times. Practical steps to accelerate recovery*. <http://www.eiu.com>